

American State Bank & Trust

Trust Department Quarterly Update

July 2026



Celebrating Milestones

We hope you and your family are having a great summer and had a happy Fourth of July celebrating our country's 250th birthday. July is also a special month for American State Bank as we celebrate our 120th anniversary. We are grateful for the trust you have placed in us over the years. Your confidence and loyalty have helped make this milestone possible, and we look forward to serving you and your family for many years to come.

Stock Markets

Stock markets had a big bounce back in the second quarter of 2026. Recall that in March the stock markets were down due to concerns about the rapid increase in oil prices, which was caused by the conflict in Iran, potentially hurting earnings for businesses due to the increased costs to transport their products, which affects their stock performance. Oil prices came back down in the last two weeks of June upon news of things calming down in Iran and the Strait of Hormuz, with Western Texas Intermediate (WTI) showing a rapid increase from approximately \$60 prior to March up to \$90-\$110 in mid-June due to a decrease in global oil supply with the closing of the Strait of Hormuz, and back down to around \$68 as of the end of June.

The S&P 500's total return was 10.21% for the first half of 2026. International stocks' total return was 13.68% during that same timespan, continuing its stretch of outperforming U.S. stocks as they also did in 2025. It had long been forecasted that international stock markets may have a period where they outperform U.S. stock markets due to stock valuations, largely due to U.S. stocks outperforming international stocks for the previous 15 years. It is recommended for investors to have a portion of their portfolio invested in international stocks to improve diversification and long-term performance. Information regarding our investment portfolios is provided on the next page, which have a portion invested in international stocks.

Bond Markets and Interest Rates

Bonds continued to provide stability during the first half of the year. While stocks experienced periods of volatility, bonds delivered steady performance and continued to serve their important role in diversified portfolios.

The Federal Reserve lowered the Fed Funds Target Range from 3.75-4.00% to 3.50-3.75% at its December meeting. Market predictions currently point to rates not fluctuating much and that it may not be until 2027 before we see another rate change, which currently is projected to be a rate increase. It had widely been forecasted that we are in a decreasing interest rate environment, but that has changed due to inflation concerns from the elevated oil prices we saw in the first half of the year. The Fed increases the Fed Funds Rate to fight inflation. If inflation sticks around, we may see the next move to be an increase. However, that is very unclear at this time. Whether the next move is an increase or a decrease, it will likely only be a slight one.

Investment Portfolios

Did you know that we provide you with the ability to invest in diversified investment portfolios that we monitor and manage based on your risk tolerance? Not only does it take the picking and choosing off your shoulders, but it is also professionally managed and designed to outperform benchmarks over the long term. Below is how our investment models have performed as of the end of June compared to the corresponding benchmark provided by Morningstar, which is a highly regarded third party company that provides investment research. Contact your account officer to begin utilizing our investment portfolios if you are not currently.

American State Bank & Trust Model Portfolios	3 Yr	5 Yr	10 Yr
Very Conservative Model (20% Equity/80% Fixed)	7.41%	2.50%	4.18%
Conservative Model (40% Equity/60% Fixed)	10.29%	4.53%	6.36%
Moderate Model (60% Equity/40% Fixed)	13.17%	6.53%	8.92%
Aggressive Model (80% Equity/20% Fixed)	16.29%	8.58%	11.33%
Very Aggressive Model (95% Equity/5% Fixed)	18.45%	10.07%	12.94%

Morningstar Target Risk Indexes	3 Yr	5 Yr	10 Yr
Morningstar Conservative Target Risk (20% Equity/80% Fixed)	7.05%	2.13%	3.77%
Morningstar Moderately Conservative Target Risk (40% Equity/60% Fixed)	10.05%	4.30%	6.17%
Morningstar Moderate Target Risk (60% Equity/40% Fixed)	12.92%	6.15%	8.21%
Morningstar Moderately Aggressive Target Risk (80% Equity/20% Fixed)	15.73%	8.04%	10.27%
Morningstar Aggressive Target Risk (95% Equity/5% Fixed)	18.03%	9.66%	11.85%

The American State Bank & Trust Investment Portfolios based on risk tolerance were established in 2014. These returns take the portfolio inception and subsequent allocation changes into consideration.

Past performance does not guarantee future results. Returns for periods greater than one year are annualized, which means on average the portfolio had a return of the figure presented each year over that span of time.

Muni Bonds

The interest that CDs and money market products pay is great, but the income is taxable and when you file your tax return you may be surprised at how much you need to pay in. Are you interested in reducing the amount of federal income taxes that you have to pay? We are continuously looking for innovative ways to help our clients, and for many of our clients we utilize a blend of municipal bond funds, also known as munis, which provide you with a safer alternative to traditional stock and bond investments. The best part is that the income it generates is exempt from federal income tax. Muni bonds are basically loans to states, cities, counties, and other governmental entities to fund day-to-day obligations and to finance projects such as building schools, highways, or sewer systems. It involves slightly more risk than CDs with fluctuations in market value and therefore provides you with more income.

As of 6/30/2026, the 1 year CD rate is 4.20%. Below is what your net return after taxes would be for that CD. Our muni bond fund portfolio has a yield of 3.71% as of 6/30/2026. Because muni bonds are exempt from federal taxes, you would have a higher net yield with muni bonds than you would with CDs or money market.

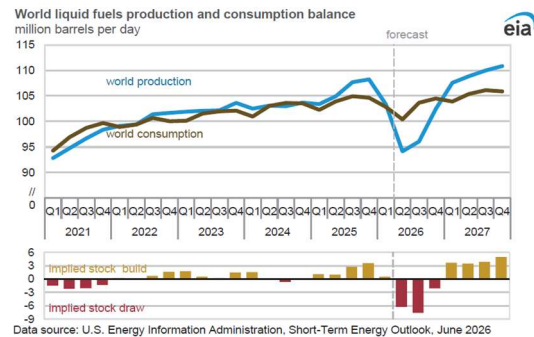
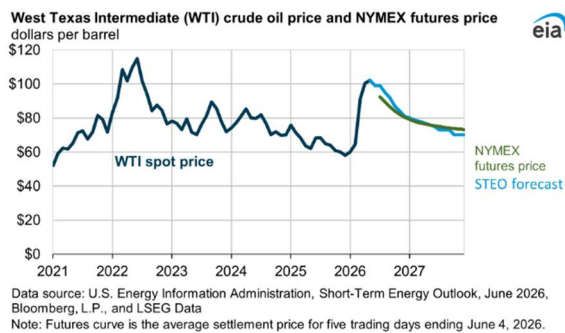
Net Return For 1 Year CD If 37% Income Tax Bracket:	2.65%
Net Return For 1 Year CD If 35% Income Tax Bracket:	2.73%
Net Return For 1 Year CD If 32% Income Tax Bracket:	2.86%
Net Return For 1 Year CD If 24% Income Tax Bracket:	3.19%
Net Return For 1 Year CD If 22% Income Tax Bracket:	3.28%

Oil Update

West Texas Intermediate (WTI) is at approximately \$68 per barrel as of the end of June. So far in 2026 it has had a range of \$56-113 and has averaged \$84.40. In 2025 it averaged \$65.40, 2024 it was \$76.60, 2023 it was \$77.50, and in 2022 it was \$94.90. The U.S. Energy Information Administration (EIA), which is the statistical agency of the Department of Energy, forecasts WTI to be around \$88 in 2026 and \$74 in 2027. The North Dakota legislative budget projected oil to be \$62 in FY 2026 and \$60 in FY 2027. These forecasts are good to be aware of, but they are speculative and can change quickly. Oil prices at these levels should continue to foster oil activity in the area.

There are 26 drilling rigs in North Dakota as of the end of June, compared to an average of 30 drilling rigs in 2025, 38 in 2024, 40 in 2023, 40 in 2022, and 22 in 2021.

Leasing and drilling activity has been expanding into northern Williams County, Divide County, and into Montana. In addition, well operators may drill additional wells within spacing units that already have a well. The future remains very bright for mineral interests in the area.



U.S. Energy Information Administration | Short-Term Energy Outlook - June 2026

Crude Oil (dollars per barrel)	2025				2026				2027				Year		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2025	2026	2027
West Texas Intermediate Spot Average	71.85	64.63	65.78	59.64	72.74	100.43	95.45	84.00	78.95	76.00	73.00	70.00	65.40	88.32	74.39

Online Account Access and E-Statements

Did you know online access is available to you for your accounts in the Trust Department? The information is updated daily so there is no need to wait for your next statement to find out how your account is doing. We also recommend that you elect to receive e-statements in your online account. You will receive them much quicker compared to the mail and online access is very secure, much more so than a paper envelope. To get set up for online access, please see the brochure sent to you in July and in January. If you don't have that information, contact us and we will gladly provide you with it.

Want To Visit?

Let us know if there is anything we can do to help you with retirement planning, contributions to retirement accounts, managing mineral or surface interests, or estate planning. If you have any questions or would like to discuss anything regarding your account, please do not hesitate to reach out. Your account Officer's contact information is listed on your statement. We can meet with you in person, by phone or email, or we can set up virtual meetings with you.

Trust Department Services

Trusts

- Living Trusts
- Testamentary Trusts (Through Last Will & Testament)
- Mineral Trusts
- Farm Trusts
- Life Insurance Trusts
- Foundations
- Charitable Trusts
- Special Needs Trusts

Investment Accounts

- Managed Investment Account
- Custody Investment Account
- Mineral Management
- Farm Management
- Real Estate Management
- Cash Management

Estate Settlement and Administration

Individual Retirement Accounts (IRA)

- Traditional IRA
- Roth IRA
- Rollover IRA
- Inherited IRA

Retirement Plans

- 401(k) Plan
- Profit Sharing Plan
- Solo 401(k) Plan
- Simple IRA Plan
- Simplified Employee Pension Plan (SEP)

Conservatorships

College Education Savings

- Coverdell Education Savings Account (ESA)
- Education Trust



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